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NEWS RELEASE

STRICTLY EMBARGOED UNTIL 07:00 27 NOVEMBER 2008

Avon Rubber p.l.c.
Preliminary results for the year ended 30 September 2008

	30 Sep 2008 £'millions	30 Sep 2007 £'millions
CONTINUING OPERATIONS		
Revenue	**54.6**	48.7
Operating loss before exceptional items	**(4.1)**	(0.1)
Operating loss after exceptional items	**(12.6)**	(0.1)
(LOSS)/PROFIT FOR THE YEAR	**(19.5)**	1.1
(LOSS)/EARNINGS PER SHARE		
Basic	**(68.4)p**	3.9p
Continuing operations	**(39.1)p**	3.0p
Diluted basic	**(68.4)p**	3.8p
DIVIDEND PER SHARE	**Nil**	8.5p

Highlights:

- **US Department of Defence Full Rate Production order for M50 mask systems and filters secured**
- **Cadillac facility producing M50 mask systems and filters profitable in the fourth quarter of our financial year**
- **Dairy revenue increases by 15%**
- **Bank facilities committed to June 2010**
- **Loss making aerosol gaskets and UK mixing businesses exited**

Peter Slabbert, Chief Executive commented: “Our Dairy business remains successful, while the 10 year US Government M50 respirator programme, awarded in 2008, will provide strong and consistent future sales volumes contributing to a return to profitability in our Protection & Defence business. In the current difficult credit markets the agreement of facilities with our bankers to 30 June 2010 gives the Group a stable platform from which to capitalise on the opportunities available to it in its chosen markets.”

For further enquiries, please contact:

Avon Rubber p.l.c.	
Peter Slabbert, Chief Executive	**Today: 020 7067 0700**
Andrew Lewis, Group Finance Director	
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Weber Shandwick Financial	
Nick Oborne	**020 7067 0700**
Rachel Martin	
Clare Perks	

An analyst meeting will be held at 11.00 a.m. this morning at the offices of Weber Shandwick Financial, Fox Court, 14 Gray’s Inn Road, London, WC1X 8WS

NOTES TO EDITORS: Avon Rubber p.l.c. is a world leader in the design, test and manufacture of advanced Chemical, Biological, Radiological and Nuclear (CBRN) respiratory protection solutions to the worlds military, law enforcement, first responder, emergency services, fire and industrial markets. Avon has a unique capability in CBRN protection based on a range of advanced CBRN technologies in respirator design, filtration and compressed air breathing apparatus. This enables Avon to develop specialised solutions that take full account of user requirements. Avon also owns a world leading dairy business manufacturing liners and tubing for the automated milking process. For further information please visit the Group’s website www.avon-rubber.com

AVON RUBBER p.l.c.

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

INTRODUCTION

2008 proved to be a difficult year for the Group. Whilst our Dairy business remained strong, the transition to full rate production in our new US respirator facility in Cadillac, Michigan has been a challenging exercise with higher than expected costs. Markets for non military respiratory protection products have also been weaker than expected and we experienced delays in winning new long term contracts at our Engineered Fabrications business.

Despite these challenges, we start 2009 in a significantly better position. A new management team is in place and the Group is now finally, after three years of change, positioned exclusively in its chosen markets of Protection & Defence and Dairy with the exit of the loss making mixing and aerosol gasket businesses. The award of the 5 year, $112m US Government production contract for the M50 respirator, together with their exercise of the “requirements” option under this contract which allows for total quantities of up to 300,000 mask systems per year for a period of up to 10 years, were major achievements for the Group. These orders together with a dramatically improved capability and reduced cost of production in our new Cadillac, Michigan facility have returned this operation to profitability in the final quarter of our financial year.

Although we have secured committed banking facilities for the year ahead we recognise, particularly in the current economic environment, the need to reduce our overall debt levels. Accordingly we have decided to dispose of our US Engineered Fabrications business.

Results

Revenue from continuing operations increased by £5.9m (12.2%) to £54.6m (2007: £48.7m), with Protection & Defence up 10.2% from £29.6m to £32.6m. Dairy revenues grew by 15.3% from £19.1m to £22.0m. The operating loss before exceptional items was £4.1m (2007: £0.1m)

After exceptional items, net interest and other finance income the loss before tax was £12.4m (2007: £1.6m profit). After tax, the loss for the year from continuing operations was £11.1m (2007: £0.9m profit).

Exceptional operating items

These amounted to £8.5m (2007: nil) and relate to the provision for impairment of goodwill and intangible assets at Avon-ISI and UK restructuring costs as we continued to address the higher than acceptable cost base.

Cashflow and liquidity

Net interest costs increased to £1.0m (2007: £0.8m) reflecting the increased borrowings used to finance the investment in our Cadillac facility. In the year we invested £2.7m (2007: £5.3m) in fixed assets and new product development particularly in the Protection & Defence business. This reduced level of capital expenditure follows the high investment in the past few years on the development of new products and the Cadillac facility. Other finance income associated with the Group's retirement benefit schemes was £1.2m (2007: £2.5m), the fall being largely attributable to the increased discount rate on AA corporate bonds used in IAS19 calculations.

Net debt at the year-end was £15.1m (2007: £10.4m). Group borrowing facilities at year-end of £21m all had expiry dates of less than 12 months. Subsequent to the year-end, new facilities of £5m and $27.2m, the majority of which have a maturity date of 30 June 2010, have been put in place, albeit as expected in the current credit markets, at a higher cost.

Taxation

The tax credit of 10% on continuing operations totalled £1.3m on a loss before tax of £12.4m. The lower tax rate is due to the £1.2m pension finance credit being non taxable, the exceptional item in respect of the impairment of goodwill being non-allowable and the lack of recognition of tax losses as deferred tax assets. Unrecognised deferred tax assets in respect of tax losses of £8.4m in the UK and of £0.9m in the USA exist to offset against future profits.

Discontinued operations

The discontinued operations in 2008 represents the Aerosol gasket business sold in March 2008, adjustments to provisions associated with the previously terminated automotive and business machines businesses and the UK mixing and US Engineered Fabrications operations held for sale at 30 September 2008. A loss for the year of £8.3m (2007: £0.2m profit) was incurred.

The sale of the UK mixing facility was completed on 7 November 2008 for £2.05m settled in cash.

Earnings per share

The loss per share was 68.4p (2007: 3.9p profit) and the loss per share from continuing operations was 39.1p (2007: 3.0p profit).

Adjusted loss per share from continuing operations was 3.3p (2007: 6.8p profit). Adjusted loss per share excludes the impact of amortisation of intangibles, impairment charges and operating exceptional items (including any related tax impact).

Protection & Defence performance

The Protection & Defence segment includes our respiratory protection businesses in the US and UK, representing in total 60% of Group revenues. Revenue of £32.6m (2007:

£29.6m) grew by 10.2%. An operating loss before exceptional items of £6.7m (2007: £2.8m) was incurred.

Our Cadillac facility was successful in obtaining a single source $112m full rate production ("FRP") order from the US Department of Defence ("DoD") for the M50 military respirator representing 100,000 mask systems p.a. for a 5 year period. The DoD also exercised its 'requirements' option to extend the order for a further 5 years, allowing it to take up to a further 200,000 mask systems per annum, resulting in total quantities of up to 300,000 mask systems per annum over a period of up to 10 years.

Following the FRP order in May 2008, our Cadillac facility experienced some start up issues in respect of the production of the complex new filters for the M50 and this adversely impacted the results early in the second half of the year. It was pleasing to see the improvements made by the Cadillac team in addressing these issues and progress was made to the extent that the Cadillac facility was profitable on a month by month basis in the fourth quarter of our financial year.

With orders of $25m on hand for delivery in 2009 and further US Government funding of $42.6m approved for 2009 for this 10 year programme, we expect this improved performance to continue.

Our UK operation continues to see variable demand for our existing S10 and FM12 respirators, particularly from the UK Ministry of Defence (MoD), and also for consumables and spares associated with these respirators.

The development of the EH20 emergency hood continues and we are aiming to achieve National Institute for Occupational Safety and Health (NIOSH) approval during 2009, which will open up the North American market for this product.

Market conditions for Avon-ISI, the Group's US based self-contained breathing apparatus (SCBA) business, were challenging. The delayed approval for our Viking Z Seven product was received in October 2007, resulting in a weak first quarter as customers evaluated the product. While quarter two improved, continuing cut backs and delays in the release of Federal grants to fire departments and extremely competitive and price driven market conditions led to a disappointing conclusion to the year.

Our Engineered Fabrications business, which is classified as discontinued and held for sale at 30 September 2008, had a difficult year as the award of a major fuel storage tank contract by the DoD was delayed. This contract was finally awarded in August with an initial value of approximately $10m for delivery in financial year 2009.

Dairy performance

The healthy profit and cash flows from our Dairy business continue to underpin the Group's performance. Revenues increased by 15.3% to £22.0m (2007: £19.1m) with improvement in both the US and European businesses. Higher milk prices and growth in sales of our own branded products, particularly into new markets such as China, were both positive factors. Higher input costs, driven in particular by the oil price and increasing medical costs in the USA, together with an increased allocation of the overhead associated with our UK production facility following the disposal of the Group's aerosol gasket business, resulted in a lower operating profit of £2.6m (2007: £2.7m).

Balance sheet

Our balance sheet is significantly impacted by the inclusion of retirement benefit assets and liabilities together with associated deferred tax balances, particularly given the size of our UK final salary scheme pension fund relative to the size of the Group. As a consequence of the timing of our year end coinciding with weakness in the global investment markets, and increasing rates of return on corporate bonds and changes in actuarial assumptions which impact the value of liabilities, the surplus on the scheme on an IAS19 basis has increased from a £16.4m asset to a £43.4m asset.

Intangible assets totalling £9.5m (2007: £17.3m) form a significant part of the balance sheet as we continue to invest in new product development. Annual impairment tests, reflecting the future cashflows from these products support their carrying values. The annual charge for amortisation of intangible assets was £1.7m (2007: £1.1m). The increase reflects the full year impact of new products introduced in 2007.

Separately, the Group has taken an impairment charge of £8.1m (2007: £nil) against the carrying value of the goodwill and acquired intangible assets relating to Avon-ISI. This reflects the reduced current and projected trading levels of this business and is a non-cash charge.

Working capital decreased as increased focus was given to all areas. Levels of working capital moved in line with demand and became less variable as business levels became more consistent following the commencement of the multi-year Protection & Defence contract.

Net debt at 30 September 2008 was £15.1m (2007: £10.4m) the majority of which was denominated in US dollars. The strengthening of the US dollar in the latter part of the financial year to a closing rate of $1.84 adversely impacted the year end sterling book value of our net debt by £1.5m when compared to the 2007 closing rate of $2.04.

Dividends

The 2007 final dividend of 4.8p per share was paid on 4 February 2008. The Board announced in May 2008 that there would be no interim dividend in 2008 and the trading performance in 2008 and year end debt level means that the Board does not consider it appropriate to propose a final dividend for 2008. The Board will review the results and level of debt at the conclusion of future reporting periods and evaluate whether a dividend is appropriate at that time.

Board changes

Last year the Group appointed a new Chairman and non-executive director team to reflect the skills and experience needed in the markets in which the Group now operates. Changes in the executive team were made this year as our focus shifted from structural change to operational delivery. Terry Stead stood down from the Board in April 2008 after nearly 10 years valuable service to the Group, with Peter Slabbert moving from Group Finance Director to replace him as Chief Executive. The Board was further enhanced with the appointment in September of Andrew Lewis (previously of Rotork plc and PricewaterhouseCoopers), as Group Finance Director.

Outlook

The Group has the technology and expertise to grow in all parts of its business and will continue to invest in the products and resources to do so. The 10 year US Government M50 respirator programme will provide strong and consistent future sales volumes which together with our non DoD sales should return our Protection & Defence business to profitability.

We are confident that our Dairy business will remain successful and that the progress made in Cadillac, with its strong order position, can be sustained. The improved orders at Avon Engineered Fabrications should result in it delivering an acceptable performance prior to disposal. More favourable exchange rates are likely to enhance reported earnings in all of these predominantly US based operations. Further cost reductions are also being implemented across the Group to support the results and we will continue to examine ways to reduce risk through debt reductions.

CONSOLIDATED INCOME STATEMENT

	Note	Year to 30 Sep 08 £'000	Year to 30 Sept 07 £'000
Continuing operations			
Revenue	2	**54,606**	48,666
Cost of sales		**(44,476)**	(37,097)
Gross profit		**10,130**	11,569
Distribution costs		**(3,445)**	(3,100)
Administrative expenses		**(20,496)**	(10,273)
Other operating income		**1,225**	1,684
Operating loss from continuing operations		**(12,586)**	(120)
Operating loss is analysed as:			
Before exceptional items		**(4,105)**	(120)
Impairment of goodwill and other intangibles		**(8,102)**	-
Other exceptional operating items		**(379)**	-
Finance income		**27**	114
Finance costs		**(1,015)**	(915)
Other finance income		**1,183**	2,489
(Loss)/profit before taxation		**(12,391)**	1,568
Taxation	3	**1,259**	(717)
(Loss)/profit for the year from continuing operations		**(11,132)**	851
Discontinued operations			
(Loss)/profit for the year from discontinued operations	4	**(8,337)**	244
(Loss)/profit for the year		**(19,469)**	1,095
Profit attributable to minority interest		**6**	1
(Loss)/profit attributable to equity shareholders		**(19,475)**	1,094
		(19,469)	1,095
(Loss)/earnings per share	6		
Basic		**(68.4)p**	3.9p
Diluted		**(68.4)p**	3.8p
(Loss)/earnings per share from continuing operations	6		
Basic		**(39.1)p**	3.0p
Diluted		**(39.1)p**	3.0p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Year to 30 Sept 08 £'000	Year to 30 Sept 07 £'000
(Loss)/profit for the year	**(19,469)**	1,095
Actuarial gain recognised in retirement benefit schemes	**25,427**	26,187
Movement on deferred tax relating to retirement benefit schemes	**(7,158)**	(4,606)
Net exchange differences offset in reserves	**1,574**	(2,441)
Net gains not recognised in income statement	**19,843**	19,140
Total recognised income for the year	**374**	20,235
Attributable to:		
Equity shareholders	**368**	20,234
Minority interest	**6**	1
Total recognised income for the year	**374**	20,235

CONSOLIDATED BALANCE SHEET

	Note	**As at 30 Sept 08 £'000**	As at 30 Sept 07 £'000
Assets			
Non-current assets			
Intangible assets		**9,549**	17,305
Property, plant and equipment		**15,491**	20,041
Deferred tax assets		**265**	334
Retirement benefit assets		**43,399**	16,380
		68,704	54,060
Current assets			
Inventories		**10,134**	11,526
Trade and other receivables		**10,684**	12,773
Cash and cash equivalents		**769**	957
		21,587	25,256
Assets classified as held for sale	4	**4,642**	2,173
		26,229	27,429
Liabilities			
Current liabilities			
Borrowings		**15,908**	11,393
Trade and other payables		**15,545**	13,906
Deferred tax liabilities		**-**	265
Current tax liabilities		**72**	744
		31,525	26,308
Liabilities directly associated with assets classified as held for sale	4	**1,125**	1,707
		32,650	28,015
Net current liabilities		**(6,421)**	(586)
Non-current liabilities			
Deferred tax liabilities		**13,289**	6,251
Retirement benefit obligations		**759**	1,730
Provisions for liabilities and charges		**5,568**	2,037
		19,616	10,018
Net assets		**42,667**	43,456
Shareholders' equity			
Ordinary shares		**29,141**	29,125
Share premium account		**34,708**	34,707
Capital redemption reserve		**500**	500
Translation reserve		**(1,070)**	(2,644)
Retained earnings		**(21,175)**	(18,789)
Equity shareholders' funds	7	**42,104**	42,899
Minority interest in equity		**563**	557
Total equity		**42,667**	43,456

CONSOLIDATED CASH FLOW STATEMENT

	Note	**Year to 30 Sept 08 £'000**	Year to 30 Sept 07 £'000
Cash flows from operating activities			
Cash used in operations	8	**(1,149)**	(1,894)
Finance income received		**27**	114
Finance costs paid		**(946)**	(896)
Tax received/(paid)		**172**	(438)
Net cash used in operating activities		**(1,896)**	(3,114)
Cash flows from investing activities			
Proceeds from sale of operations		**1,847**	-
Proceeds from sale of property, plant and equipment		**447**	14
Purchase of property, plant and equipment		**(1,368)**	(2,874)
Purchase of intangible assets		**(1,343)**	(2,445)
Net cash used in investing activities		**(417)**	(5,305)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**17**	1,441
Net movements in loans		**9,100**	(2,488)
Dividends paid to shareholders		**(1,367)**	(2,353)
Net cash generated from/(used in) financing activities		**7,750**	(3,400)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**5,437**	(11,819)
Cash, cash equivalents and bank overdrafts at beginning of the year		**(5,037)**	6,893
Effects of exchange rate changes		**14**	(111)
Cash, cash equivalents and bank overdrafts at end of the year	9	**414**	(5,037)

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

1. Basis of preparation

(a) The financial information in this preliminary announcement which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated cash-flow statement and related notes does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The auditors have reported on the Group's statutory accounts for the year ended 30 September 2008 and year ended 30 September 2007 under s235 of the Companies Act 1985, which do not contain statements under s237(2) or s237(3) of the Companies Act 1985 and are unqualified. The Group's statutory accounts for the year ended 30 September 2007 have been delivered to the Registrar of Companies and the Group statutory accounts for the year ended 30 September 2008 will be filed with the Registrar in due course.

(b) The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (collectively “IFRS”) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

2. Segmental analysis

Due to the differing natures of the products and their markets, Avon Rubber p.l.c.’s primary reporting segment is by business. The secondary reporting format comprises the geographical segments by origin.

	Year to 30 Sept 08 £’000	Year to 30 Sept 07 £’000
Revenue by business sector		
Protection & Defence	**32,616**	29,595
Dairy	**21,990**	19,071
	54,606	48,666
Operating (loss)/profit before exceptional items by business sector		
Protection & Defence	**(6,714)**	(2,779)
Dairy	**2,609**	2,659
	(4,105)	(120)
Exceptional operating items by business sector		
Protection & Defence	**(8,481)**	-
Dairy	**-**	-
	(8,481)	-
Total operating (loss) from continuing operations	**(12,586)**	(120)
Revenue by origin		
Europe	**11,114**	13,976
North America	**43,492**	34,690
	54,606	48,666

3. Taxation

The split of the tax (credit)/charge between UK and overseas is as follows:

	Year to 30 Sept 08 £'000	Year to 30 Sept 07 £'000
United Kingdom	**-**	-
Overseas	**(1,259)**	717
	(1,259)	717

4. Results from discontinued operations

	Year to 30 Sept 08 £'000	Year to 30 Sept 07 £'000
Revenue	**11,337**	25,055
Operating (loss)/profit from discontinued operations	**(6,881)**	244
Operating (loss)/profit is analysed as:		
Before exceptional items	**(2,023)**	244
Exceptional operating items	**(4,858)**	-
Loss on disposal	**(1,456)**	-
(Loss)/profit for the year from discontinued operations	**(8,337)**	244

The discontinued operations consist primarily of the UK mixing operation which was being actively marketed for sale at the year end, and subsequently disposed of in November 2008, the UK aerosol business which was sold during the year and the US engineered fabrications operation which was being actively marketed for sale at the year end.

The exceptional operating items include an impairment provision in respect of UK mixing assets and a charge in respect of a review of the provisions required in respect of the previously disposed of Avon Automotive business.

Assets held for sale comprise £2,592,000 in respect of the engineered fabrications business and £2,050,000 in respect of the UK mixing operation. Liabilities associated with assets held for sale of £1,125,000 relate solely to the engineered fabrications business.

5. Dividends

The 2007 final dividend of 4.8p per share was paid on 4 February 2008 to holders of ordinary shares on the register at the close of business on 11 January 2008. The Board announced in May 2008 that there would be no interim dividend in 2008 and the trading performance in 2008 and year end debt level means that the Board does not consider it appropriate to propose a final dividend for 2008.

6. (Loss)/earnings per share

Basic (loss)/earnings per share is based on a loss attributable to ordinary shareholders of £19,475,000 (2007: £1,094,000 profit) and 28,473,000 (2007: 27,885,127) ordinary shares, being the weighted average of the shares in issue during the period on which dividends are paid.

Earnings per share on continuing operations is based on a loss of £11,138,000 (2007: £850,000 profit).

7. Reconciliation of changes in equity

	Year to 30 Sept 08 £'000	Year to 30 Sept 07 £'000
At the beginning of the year	**42,899**	23,514
(Loss)/profit for the period attributable to equity shareholders	**(19,475)**	1,094
Dividends	**(1,367)**	(2,353)
Actuarial gain recognised in retirement benefit schemes	**25,427**	26,187
Movement on deferred tax relating to retirement benefit obligations	**(7,158)**	(4,606)
Net exchange differences offset in reserves	**1,574**	(2,441)
New share capital subscribed	**17**	1,366
Movement in respect of employee share scheme	**187**	138
At the end of the year	**42,104**	42,899

8. Cash generated from operations

	Year to 30Sept 08 £'000	Year to 30 Sept 07 £'000
Continuing operations		
(Loss)/profit for the financial year	**(11,132)**	851
Adjustments for:		
Tax	**(1,259)**	717
Depreciation	**1,844**	1,883
Amortisation and impairment of intangibles	**9,780**	1,054
Net interest expense	**988**	801
Other finance income	**(1,183)**	(2,489)
Loss on disposal of property, plant and equipment	**52**	-
Movements in working capital and provisions	**1,027**	(5,703)
Other movements	**187**	(245)
Cash generated from/(used in) continuing operations	**304**	(3,131)
Discontinued operations		
(Loss)/profit for the financial year	**(6,881)**	244
Adjustments for:		
Depreciation	**398**	300
Impairment of property, plant and equipment	**688**	250
Amortisation and impairment of intangibles	**5**	-
Movements in working capital and provisions	**4,257**	443
Other movements	**80**	-
Cash (used in)/generated from discontinued operations	**(1,453)**	1,237
Cash (used in) operations	**(1,149)**	(1,894)

9. Analysis of net debt

	As at 1 Oct 07 £'000	Cash Flow £'000	Exchange movements £'000	As at 30 Sep 08 £'000
Cash at bank and in hand	791	(70)	48	**769**
Cash included in assets held for sale	-	27	-	**27**
Overdrafts	(5,994)	5,648	(36)	**(382)**
Current asset investments classified as cash equivalents	166	(168)	2	**-**
Net cash and cash equivalents	(5,037)	5,437	14	**414**
Debt due within 1 year	(5,399)	(9,100)	(1,027)	**(15,526)**
	(10,436)	(3,663)	(1,013)	**(15,112)**

The net debt above can be reconciled to the balance sheet as follows: cash and cash equivalents shown on the balance sheet comprise cash at bank and in hand plus current asset investments classified as cash equivalents. Borrowings shown on the balance sheet comprise overdrafts and bank loans due within one year.

Borrowing facilities at 30 September 2008 (expiring within one year)	**Total facility £'000**	**Utilised £'000**	**Undrawn £'000**
Bank loans and overdrafts	20,686	15,908	4,778
Utilised in respect of guarantees	407	407	-
	21,093	16,315	4,778

Subsequent to year end, the Group has agreements with its two principal bankers for new facilities of £5m and $27.2m, the majority of which is committed to 30 June 2010. These facilities are priced on average at the appropriate currency LIBOR plus a margin of 3.5% and include financial covenants which are measured on a quarterly basis.

10. Annual Report & Accounts

Copies of the directors' report and the audited financial statements for the year ended 30 September 2008 will be posted to shareholders who have elected to receive a copy and may also be obtained from the company's registered office at Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England. (Telephone +44 1225 896871) or via the corporate website (www.avon-rubber.com).